

Why do extremely wealthy people hate the idea of higher marginal tax rates?

It's not like paying more taxes would change a billionaire's quality of life.

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Howard Schultz, billionaire and former CEO of Starbucks, is mounting an independent campaign for the presidency of the United States. He seems to be running because he's horrified at the idea of paying a higher marginal tax rate on the portion of his income that is over \$10 million. And he isn't alone in that. At the World Economic Forum in Davos, Switzerland, in January, billionaire Michael Dell was

asked about the idea of a 70 percent top bracket and quipped, “Name a country where that’s worked, ever”—only to be corrected when MIT professor Erik Brynjolfsson replied, “The United States!”

[According to Paul Krugman](#), taxing high incomes at extremely high rates—though below 100 percent—makes sense. At a certain point, there is no practical difference between the amount of money that an extremely wealthy person has and an infinite amount of money. Think about it this way: I have enough money that I wouldn’t notice if less than a dollar disappeared. I can afford more than I would want of anything that costs less than a dollar. For a billionaire, the same principle can be applied to items that cost hundreds of thousands, if not millions, of dollars.

On the other hand, the government still wants those people to bother earning that money so that it can claim tax revenue. In theory, a 100 percent tax would discourage people from working for that first dollar above 10 million. But since they would still work for 30 percent of the amount over \$10 million the government could tax the dollars over that amount at 70 percent, keep the incentive, and reap the taxes.

And that means, as Krugman puts it, that “the optimal tax rate on people with very high incomes is the rate that raises the maximum possible revenue.” Krugman knows far more about economics than I do, but I disagree with his assessment for two reasons.

First, once you’ve reached an annual income of \$10 million—and probably far less—money isn’t really an incentive to work harder or longer. You don’t really control how much you make. Shultz’s income isn’t governed by how many hours he works or how hard he works during those hours. It’s governed by what decisions he makes regarding the investment of the money he already has (and he can even pay people to make those decisions for him).

Second, he’s effectively living in a post-scarcity society, and just as spending a few thousand or million dollars doesn’t really mean anything to him, neither does making that money. I can’t prove it, but I really doubt that more money is really an incentive for the extremely wealthy. There has to be an entirely different incentive structure in place.

Why are these billionaires so horrified by the idea of a higher marginal tax rate when that rate will mean effectively nothing in terms of their quality of life?

[Over at *Lawyers, Guns, and Money*, Paul Campos proposes some ideas, which he then dismisses.](#) To paraphrase:

They want to make sure that their great-grandchildren have more money than they could possibly squander? No, because great-grandchildren are usually an abstraction. People don't really care about them.

They believe in some sort of supply-side economic model? OK, but why do they believe in that economic model when it flies in the face of all available evidence?

They hate those kinds of taxes on principle? OK, but what's the actual principle for whose sake they object?

They're greedy? OK, but what does greed mean in a context where more money doesn't mean anything?

Money is a way of keeping score? OK, but that's pathological in a context where money doesn't mean anything.

They want to be able to buy something that really would put a dent in their wealth, like the presidency of the United States? Yes. That's probably it.

Campos is missing something here. There's a cultural logic to wealthy people—especially extravagantly wealthy people—hating taxes. And it's only partially related to ideas like greed and keeping score.

I need to be careful this doesn't become armchair psychology. I'm not suggesting that people who are extremely wealthy believe certain things at either the conscious or subconscious level. Instead, it's a matter of cultural logic or social imagination. It's wrapped up in the collection of all of the things—institutions, traditions, symbols, practices, and so on—that help us think of ourselves as an *us*: the shared, often unspoken, understandings of how things are and how things should be.

A big part of the social imaginaries of modern capitalism is the link between material wealth and personal value. To put that another way, the more wealth someone has, the more of a person they are. For example, we often talk about people being paid what their work is worth or, even, what **they are worth**. Or, as another example, we act as though Mark Zuckerberg's wealth qualifies him to talk about and influence education policy, health care reform, or whatever. Or, we imagine that a wealthy businessman is qualified to be the president of the United States because he is a

wealthy businessman. And I strongly suspect this link between material wealth and personal value is felt more strongly by people who are wealthy than by people who are not (partly because I suspect that we tend to find personal value in the things that we have a lot of, are good at, and so on).

If the social imaginaries that a person is embedded in see a link between material wealth and personal value, then it makes sense that that person would see taxes as a bad thing. That person might even see taxation as a form of violence because, when the government demands money through taxation, it isn't just taking money, it's taking **personhood**. This is related to the notion of keeping score. Making a billionaire a mere multi-millionaire makes him worth less than his fellow billionaires, not just in terms of his material wealth, but in terms of his very personhood.

(This also helps explain why some people who are very wealthy don't see a desperate need to fund social programs that help people living in poverty: people who are poor are worth less than the extremely wealthy, in their way of thinking).

There's a theological side to this. The idea that material wealth is the same—or almost the same—as personhood is a pretty good description of greed, not just as a kind of personal vice, but as a deeper sin. On the one hand, it's a form of idolatry: material wealth is an object of worship. On the other hand, it's a form of self-harm: instead of finding their value in their status as a bearer of the image of God, they find their value in their status as a bearer of material wealth. It is perhaps the most common sin—exchanging God for mammon.

So, what do we make of Schultz's campaign? He's afraid. He's afraid that a popular uprising against the extravagantly wealthy will hurt him. Not literally, of course, but by taking away the source of his personhood. And while he's right that such a popular uprising could lead to a higher marginal tax rate, he's wrong that this would hurt him in any way. In fact, giving up some of his wealth might even free him from the grip that wealth has on his soul. And it's sad that he doesn't see that. It's almost enough to make me feel sorry for him.

Almost.

Originally posted at [Marlin-Warfield's blog](#)